

# **Report of the Comptroller and Auditor General of India**

### **Compliance Audit** for the year ended March 2020



लोकहितार्थ सत्यनिष्ठा Dedicated to Truth in Public Interest



**Government of Karnataka** Report No. 3 of the year 2021

## **Report of the Comptroller and Auditor General of India**

## **Compliance Audit**

for the year ended March 2020

**Government of Karnataka Report No. 3 of the year 2021** 

Table of contents				
	Paragraph Number	Page Number		
Preface		v		
Overview		vii		
Part I – Expenditure Audit				
Chapter-I: Introduction				
About this report	1.1	1		
Budget profile	1.2	1		
Application of resources of the State Government	1.3	2		
Persistent savings	1.4	2		
Grant-in-aid from Government of India	1.5	3		
Authority for conducting Audit	1.6	4		
Organisational structure of the Office of the Principal Accountant General (Audit I), Karnataka, Bengaluru	1.7	4		
Planning and conduct of Audit	1.8	4		
Significant audit observations and response to audit	1.9	5		
Responsiveness of Government to Audit	1.10	5		
Status of placement of Separate Audit Reports of autonomous bodies in the State Legislature	1.11	7		
Year-wise details of performance audits and paragraphs appeared in Audit Report	1.12	8		
Chapter –II: Compliance Audi	t			
Department of Higher Education				
Improper Financial Management in Bangalore University	2.1	9		
Loss of terminal benefits to NPS employees	2.2	19		
<b>Department of Animal Husbandry and Fisheries</b>				
Loss due to non-remittance of Government revenue and misappropriation	2.3	22		
Department of Food and Civil Supplies, Consumer Metrology	Affairs an	d Legal		
Avoidable payment of interest on procurement of rice	2.4	24		
Department of Labour				
Non/short realisation of revenue	2.5	26		
Department of Health & Family Welfare Services				
Short levy of liquidated damages	2.6	29		
Avoidable expenditure	2.7	31		
False certification of works not actually executed	2.8	34		

	Paragraph Number	Page Number	
Department of Rural Development and Panchayat Raj			
Avoidable expenditure on payment of Goods and Services Tax for inadmissible services	2.9	36	
Part II – Revenue Audit		1	
CHAPTER-I: General			
Trend of revenue receipts	1.1	39	
Analysis of arrears of revenue	1.2	41	
Evasion of tax detected by the Departments	1.3	41	
Pendency of refund cases	1.4	42	
Response of the Government/Departments towards Audit	1.5	42	
Analysis of the mechanism for dealing with the issues raised by Audit	1.6	46	
Audit Planning	1.7	47	
Results of Audit	1.8	48	
Coverage of Part-II of this Report	1.9	48	
CHAPTER-II : VAT on Sales Trade etc. and Goods and Services Tax			
Tax administration	2.1	49	
Internal Audit	2.2	49	
Goods and Services Tax	2.3	49	
Results of Audit	2.4	51	
Paragraphs			
Non-levy of penalty under Section 72(1) of the KVAT Act	2.5	52	
Short-levy of tax on sale of liquor	2.6	53	
Incorrect/Excess claim of Transitional Credit	2.7	54	
Short-levy of tax due to incorrect allowance of sub-contractor payments	2.8	55	
Incorrect/Excess adjustment of credit amount	2.9	55	
Non/Short-payment of differential tax liability declared in audited statement of accounts	2.10	58	
Non-follow-up of pending tax liabilities declared in the returns	2.11	59	
Non-levy of penalty under Section 74(4) of KVAT Act for non-filing of Form VAT 240	2.12	60	
Incorrect allowance of Input Tax Credit	2.13	61	

	Paragraph Number	Page Number		
<b>CHAPTER-III: Stamp Duty and Registrat</b>	CHAPTER-III: Stamp Duty and Registration Fee			
Tax administration	3.1	65		
Internal Audit	3.2	65		
Results of Audit	3.3	65		
Paragraphs				
Short-levy of Stamp Duty and Registration Fee due to misclassification of documents	3.4	66		
Short-levy of Stamp Duty and Registration Fee due to suppression of facts	3.5	68		
Short-levy of Stamp Duty and Registration Fee on Joint Development Agreements	3.6	70		
Short-levy of Stamp Duty and Registration Fee due to Undervaluation	3.7	71		
Short-levy of Stamp Duty and Registration Fee on Gift Deeds	3.8	73		

List of Appendices				
Details	Appendix Number	Page Number		
Year-wise breakup of Outstanding Inspection Reports and Paragraphs (issued up to 31 March 2019)	1.1	77		
Paragraphs (excluding General and Statistical) yet to be discussed by PAC as of 31 December 2019	1.2	80		
Statement showing details of candidates' fee receipts which were not available in admission register nor traced in bank accounts	2.1	81		
Statement showing the DDs not traced to bank accounts in respect of department of CBSMS	2.2	82		
Statement showing the DDs not traced to bank accounts in respect of department of CBSMS	2.3	83		
Ground fee prescribed for various categories	2.4(a)	84		
Statement of short collection of ground fee	2.4(b)	84		
Statement showing the loss of interest in respect of Mangalore University	2.5	85		
Statement showing the loss of interest in respect of Bangalore University	2.6	87		
Statement showing the loss of interest in respect of Rani Channamma University	2.7	89		
Statement showing the remittances not traced to KTC- 25	2.8	90		
Month wise details of loss of revenue for registration/renewal of shops and Establishments	2.9	91		
Statement showing the loss of revenue due to non-renewal of registrations	2.10	92		
Statement showing the short levy of penalty	2.11	93		
Statement showing the quantity of RCC/RMC as per estimates	2.12	94		
Statement showing the items of works falsely certified	2.13	95		
Abstract of GST paid to Manpower Services	2.14	96		

#### Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2020 has been prepared for submission to the Governor of Karnataka under Article 151 (2) of the Constitution to be tabled in the State Legislature.

Part-I of this Report contains significant results of the Compliance Audit of the Departments of the Government of Karnataka under Agriculture, Food and Allied Industries, Education, Skill Development and Employment, Finance, Health and Welfare and Rural Development clusters.

Part-II of this Report contains significant results of the Compliance Audit of the Departments of the Government of Karnataka under Revenue Sector including Commercial Taxes Department and the Department of Stamps and Registration.

The instances mentioned in this report are those, which came to notice in the course of test audit for the period 2019-20 as well as those, which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to period subsequent to 2019-20 are also included, wherever found necessary.

Audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.